

Audit Report



OFFICE OF THE INSPECTOR GENERAL

PROCESSING AND DISTRIBUTION OF COMBINED FEDERAL CAMPAIGN PAYROLL DEDUCTIONS FOR MILITARY PERSONNEL

Report No. 95-244

June 21, 1995

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Acronyms

CFC	Combined Federal Campaign
CRP	Central Receipt and Accounting Point
DFAS	Defense Finance and Accounting Service
OPM	Office of Personnel Management



INSPECTOR GENERAL
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June 21, 1995

MEMORANDUM FOR DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE

SUBJECT: Audit Report on the Processing and Distribution of Combined Federal Campaign Payroll Deductions for Military Personnel (Report No. 95-244)

We are providing this report for management review and comment. The audit was conducted in response to a request from the Office of Inspector General, Office of Personnel Management. The report discusses actions taken to process and distribute payroll deductions for contributions to the Combined Federal Campaign from Service members. We considered management's comments on a draft of this report in preparing the final report.

DoD Directive 7650.3. requires that all recommendations be resolved promptly. Therefore, the Defense Finance and Accounting Service is requested to provide comments on Recommendations A.1., A.3., B.1., and B.2., in response to the final report. We ask that management provide details of procedural changes that will correct the coding problem in the pay system; reconsider including civilian personnel when developing a standard report to accompany Combined Federal Campaign allotment payments; and include civilian personnel when identifying payroll offices to central receipt and accounting points. We request that management provide the comments by August 21, 1995.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Richard B. Bird, Audit Program Director, at (317) 542-3859 (DSN 699-3859), or Mr. Carmelo G. Ventimiglia, Audit Project Manager, at (317) 542-3852 (DSN 699-3852). See Appendix E for the report distribution. The audit team members are listed inside the back cover.

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Office of the Inspector General, DoD

Report No. 95-244
Project No. 4FI-5038

June 21, 1995

Processing and Distribution of Combined Federal Campaign Payroll Deductions for Military Personnel

Executive Summary

Introduction. The Defense Finance and Accounting Service Denver, Indianapolis, Cleveland, and Kansas City Centers are responsible for deducting allotments from the pay of Service members and distributing the allotments to the appropriate Combined Federal Campaign organization. The Combined Federal Campaign is the only authorized charitable fund-raising drive in the Federal workplace. The Director, Administration and Management, Office of the Secretary of Defense, designated the Director of the Voluntary Campaign Management Staff as the coordinator for DoD fund-raising activities. In the first 6 months of the 1994 campaign year, 590,458 Service members contributed about \$22.9 million to the Combined Federal Campaign through payroll deductions.

This audit was made at the request of the Office of Inspector General, Office of Personnel Management. The request was based on the results of audits at local principal combined fund organizations. The principal combined fund organization is selected by the local Federal coordinating committee, the governing body of the local Combined Federal Campaign, to administer the campaign. Central receipt and accounting points are the fiscal agencies of the principal combined fund organizations. The Office of Personnel Management audits determined that some principal combined fund organizations received allotment payments for campaign contributions to which they were not entitled. Such situations could undermine the credibility and continued success of the Combined Federal Campaign.

Audit Objectives. The primary audit objective was to determine whether payroll deductions for the Combined Federal Campaign were processed and distributed according to the Service members' wishes. We also evaluated the implementation of the management control program as it related to payroll deductions.

Audit Results. Payroll deductions for the Combined Federal Campaign were not always processed and distributed as requested by Service members. Specifically:

- o The Defense Finance and Accounting Service Centers distributed at least \$582,428 in allotment payments to Combined Federal Campaigns in which Service members did not participate. Our results were based on problems reported to the Defense Finance and Accounting Service Centers in FY 1994 and a judgmental review of a limited number of pledge cards at three payroll offices and three central receipt and accounting points. Therefore, other allotment payments may have been sent to other than the appropriate central receipt and accounting point. In addition, \$22,280 was sent to central receipt and accounting points that were not authorized to participate in the campaign (Finding A).

o The Defense Finance and Accounting Service Centers did not send detailed supporting statements to the central receipt and accounting points as required by Office of Personnel Management and Department of the Treasury regulations. Without supporting statements, the central receipt and accounting points could not identify the number of employees, by Government agency, who contributed to the campaign, and could not verify payments received (Finding B).

We identified a material management control weakness in processing pledge cards and maintaining the tables of address codes for the central receipt and accounting points in the military payroll systems. See the findings in Part I for a discussion of the material weakness and Appendix A for the results of our review of the management control program. Appendix C summarizes the potential benefits of the audit.

Summary of Recommendations. We recommended that the Defense Finance and Accounting Service Centers improve controls over entering and maintaining the address codes of the central receipt and accounting points in the military payroll systems; use the address codes provided by the Office of Personnel Management as the standard codes; and provide supporting statements to the central receipt and accounting points. We also recommended that the Defense Finance and Accounting Service coordinate with the Office of Personnel Management to ensure that the central receipt and accounting points are informed of which DoD payroll offices will send them allotment payments.

Management Comments. The Deputy Director for Finance, Defense Finance and Accounting Service, generally concurred with the recommendations. The Defense Finance and Accounting Service will implement procedural and system changes to strengthen and improve controls over entering and maintaining the address codes of the central receipt and accounting points in the Defense Joint Military Pay System, and one standard address table for central receipt and accounting points will be maintained in the military payroll system for all Services using the system. Also, the Defense Finance and Accounting Service will develop a standard report to accompany Combined Federal Campaign payments to the central receipt and accounting points. However, the Deputy Director for Finance did not believe it was appropriate for us to include reference to similar problems with the processing and distribution of payroll deductions for DoD civilian personnel.

Audit Response. Management comments on the draft report were generally responsive. We request that the Defense Finance and Accounting Service, provide details of the procedural changes to strengthen coding controls, and reconsider instituting similar corrective actions for DoD civilian personnel. Summaries of management comments and audit responses are in Part II of the report, and the full text of management comments is in Part III. Additional comments are requested by August 21, 1995.

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Part I - Audit Results

Audit Results

Audit Background

Criteria for Establishing the Combined Fund Campaign. The Combined Federal Campaign (CFC) is administered by the Director, Office of Personnel Management (OPM), under the authority of Executive Order 12353, "Charitable Fund-Raising," March 23, 1982, published in the 47 Federal Register 12785, March 23, 1982; and Executive Order 12404, "Charitable Fund-Raising," February 10, 1983, published in the 48 Federal Register 6685, February 15, 1983. Section 618 of Public Law 100-202, "Treasury, Postal Service, and General Government Appropriations Act for FY 1988," December 21, 1987, and Executive Order 12404 require OPM to issue rules for charitable solicitation in the Federal workplace. CFCs are normally conducted in geographic locations that include at least 300 Federal employees. Employees should participate in the campaign only in the geographic area where they are employed. Annually, the solicitation of Federal employees for the CFC is conducted during a 6-week period between September 1 and November 15.

Organization and Operation of the CFC. OPM establishes in each geographic area a local Federal coordinating committee (coordinating committee) to govern the conduct of the CFC. The head of the local Federal installation having the largest number of employees is responsible for organizing the coordinating committee and assuring that it executes its responsibilities. The coordinating committee selects a principal combined fund organization (fund organization) to administer the campaign and to serve as fiscal agent. An activity that wishes to be a fund organization must submit a written campaign plan to the coordinating committee. The written application to the coordinating committee will also include a pledge, signed by the organization's local director, that the CFC will be administered fairly and equitably. Fund organizations are normally activities such as the United Way or the Red Cross. Fund organizations are responsible for organizing and conducting the campaigns, submitting extensive and thorough independent audits of their operations to the coordinating committee, and accurately disbursing allotted contributions to the designated activities. The fiscal agency of the fund organization is referred to as the central receipt and accounting point (CRP). The CRP receives and allocates funds, and maintains all financial records for the fund organization.

CFC Participation Procedures. A contributor participates in the campaign by completing a pledge card. The pledge card identifies the contributor; the Government agency which employs the contributor; the amount pledged; the charitable organizations to receive the pledge, if designated; and whether the pledge will be paid by cash or check or through payroll deductions. The original pledge card is sent to the contributor's payroll office as authorization to deduct allotments for the CFC. One copy is sent to the CRP as a basis for determining fund allocation to charitable organizations. The contributor also retains a copy of the pledge card. Allotment deductions begin with the first pay period in January and end with the last pay period in December. Four Defense Finance and Accounting Service (DFAS) Centers are responsible for deducting allotments from the pay of Service members and distributing the allotments to the appropriate CFC. The military payroll systems are programmed to

automatically discontinue deducting allotments at the end of the year. Deducting allotments will also be discontinued when a member is separated from the Service because of discharge, death, or retirement. In addition, a Service member can stop an allotment deduction at any time by making a written request to the payroll office.

Administration of the CFC. The Director, Administration and Management, Office of the Secretary of Defense, has overall responsibility for the CFC within DoD. Responsibilities include issuing policies and procedures for administering the CFC. The Director, Administration and Management, designated the Director of the Voluntary Campaign Management Staff as the coordinator for DoD fund-raising activities. The coordinator assists the Director, Administration and Management, in administering the CFC. The coordinator also acts as the liaison between DoD and the Director, OPM, on fund-raising activities.

Audit Objectives

The primary audit objective was to determine whether payroll deductions for the CFC were processed and distributed according to the Service members' wishes. We also evaluated the implementation of the DoD management control program as it related to payroll deductions. Appendix A explains our scope and methodology in performing this audit and gives the results of our evaluation of the implementation of the DoD management control program as it related to payroll deductions.

Finding A. Processing and Distributing CFC Contributions

Payroll deductions for CFC contributions were not processed and distributed as requested on pledge cards by Service members. Additionally, information required to process payments was not updated accurately and promptly in the military payroll systems. Those conditions occurred because:

- o the DFAS Denver, Indianapolis, and Cleveland Centers did not establish controls to ensure that payroll clerks entered only valid and appropriate CRP address codes into the military payroll systems;
- o the DFAS Centers did not use the OPM code assigned to each CRP, but rather assigned a Service-unique code to each CRP;
- o the clerks at Navy payroll offices did not always use available documentation to determine the correct Service-unique codes;
- o the DFAS Centers did not always make correct or timely updates to the CRP address tables in the military payroll systems; and
- o OPM did not issue the 1994 master list of CRPs before payroll deductions started, and the list was not accurate and complete.

As a result, the DFAS Centers improperly sent at least \$582,428 in payroll allotment payments to other than the appropriate CRPs in 1994. In addition, \$22,280 was distributed to CRPs that were not authorized to participate in the CFC.

Background

OPM sends the DFAS Centers a master list of CRP address codes and periodic updates to it throughout the year. The DFAS Centers are responsible for entering and updating the CRPs in the military payroll systems. Each DFAS Center establishes unique CRP address codes. The codes are used to identify the CRP at the start of the allotment process and to distribute allotted funds to the designated campaign areas. The payroll offices of the Services are responsible for entering the CFC allotment information into the military payroll systems. The clerks at the payroll offices must enter a Service-unique CRP code into the system; the CRP code corresponds to the participating geographic CFC area designated at the top of the pledge card. To determine what CRP code should be used, the clerks must match the CFC area designated at the top of the pledge card to the code on a list of Service-unique codes or on the CRP address tables in the military payroll systems.

Finding A. Processing and Distributing CFC Contributions

Payroll Systems Used to Pay Air Force and Army Military Personnel. The DFAS Denver and Indianapolis Centers use the Defense Joint Military Pay System to process military payroll. That system is maintained by the DFAS Denver Center. The DFAS Denver Center reviews the changes from OPM and enters the changes in the Air Force's CRP address table. The Defense Joint Military Pay System automatically assigns the next number in the sequence as the CRP address code for new CRPs. The DFAS Indianapolis Center reviews the changes and sends changes to the DFAS Denver Center, and the DFAS Denver Center enters the changes to the Army's address table in the Defense Joint Military Pay System. The DFAS Denver Center maintains separate tables of CRPs for the Air Force and Army. The DFAS Denver Center changes the Army's address table only when requested by the DFAS Indianapolis Center.

Payroll Systems Used to Pay Navy and Marine Corps Military Personnel. The DFAS Cleveland Center assigns an address code to each CRP and forwards the codes to the DFAS Kansas City Center. The DFAS Kansas City Center uses the data to update the CRP address codes in the Marine Corps payroll system. The DFAS Kansas City Center has an allotment authorization system that restricts the CRP address codes the payroll offices can enter. Only one payroll office, the Consolidated Disbursing Office at the DFAS Kansas City Center, is not restricted. That payroll office can enter any CRP address code in the system. To prevent erroneous CRP address codes from being entered into the system, the Allotments Division at the DFAS Kansas City Center reviews the codes entered by the Consolidated Disbursing Office for any CRPs that are not authorized by OPM. Procedures at the DFAS Centers and CRPs for processing allotment payments are identified in Appendix B.

Weakness Identified in Payroll Systems

Sufficient controls had not been established in the military payroll systems to ensure that allotment payments were sent to the appropriate CRP. Clerks at Army, Navy, and Air Force payroll offices had the ability to enter any code that was in the address tables into the payroll system. The DFAS Kansas City Center established a control in the payroll system used to pay Marine Corps personnel, limiting the codes that could be entered by the payroll offices. At those payroll offices, a payroll clerk could enter into the system only the codes of the CFC areas serviced by that payroll office. Only the Consolidated Disbursing Office could enter all codes. Those same controls should also be established in the other military payroll systems to prevent clerks at payroll offices from entering inappropriate CRP address codes in the payroll systems. In addition, controls need to be established to ensure that DFAS Center personnel enter accurate CRP information when making changes. As a result of not establishing sufficient controls, the DFAS Centers improperly sent at least \$582,428 in payroll allotment payments to other than the appropriate CRP. Our results were based on problems reported to the DFAS Centers in FY 1994 and a

Finding A. Processing and Distributing CFC Contributions

judgmental review of a limited number of pledge cards at three payroll offices and three CRPs. Therefore, other allotment payments may have been sent to other than the appropriate CRP.

Accuracy of CRP Address Codes Entered in the Payroll System. Appropriate CRP address codes were not entered in the military payroll system used to direct the distribution of allotment payments of Navy members. The payroll clerks at the Navy Personnel Support Activity Detachment in Indianapolis, Indiana, frequently used the OPM code that was printed on the pledge card as the CRP code instead of locating the correct Navy code in Appendix M of the Navy Pay and Personnel Manual. The use of the OPM code caused the system to reject some of the transactions because the OPM code did not relate to a valid CRP address code. In those situations, the system did not allow the clerks to reenter the data. Instead, technicians at the DFAS Cleveland Center were responsible for determining the correct codes and entering them in the system. We reviewed 97 pledge cards entered by the payroll clerks at the Navy Personnel Support Activity Detachment. We determined that 45 of the 97 pledge cards were entered with the wrong CRP code. The technicians at the DFAS Cleveland Center attempted to correct 9 of the 45 incorrect codes because the codes were rejected by the system as invalid. However, only 4 of the 9 were properly corrected. The remaining 36 codes were accepted by the system because the OPM codes corresponded to valid Navy codes. Through September 1994, \$3,294 had been sent to the wrong CRP. Table 1 identifies the CFC areas associated with each of the 36 codes that received the allotment payments, as well as the CFC areas that should have received the allotment payments had the appropriate Navy codes been used.

Table 1. CFC Pledges Misdirected Due to Use of Incorrect Codes

<u>Pledges Misdirected</u>	<u>Navy Code Area</u>	<u>OPM Code Area</u>
25	Indianapolis, IN	Decatur, IL
5	Chicago, IL	Indianapolis, IN*
4	Savoy, IL	Iowa City, IA
2	Green Oaks, IL	Tuskegee, AL

*The pledge cards for the Chicago CFC did not have the OPM code pre-printed at the top. The clerks at the payroll office used the OPM code for their local area.

Although the Navy Pay and Personnel Manual was available at the Navy Personnel Support Activity Detachment, personnel at the payroll office could not tell us why it was not used. We were told that other payroll offices also did not enter the appropriate CRP address codes in the military payroll system.

Corrections Made at the DFAS Cleveland Center. DFAS Cleveland Center personnel improperly corrected invalid codes entered into the payroll system by the payroll offices. We found that the changes made by the DFAS Cleveland

Finding A. Processing and Distributing CFC Contributions

Center to correct the rejected CRP codes did not properly correct the codes because personnel in the DFAS Cleveland Center's Accounts Processing Division, Directorate for Military Pay, improperly handled the rejected transactions from the payroll offices. Instead of researching the rejected codes by contacting the disbursing office for verification and taking appropriate action when the reply was received, the technicians entered a CRP code into the system that they knew the system would accept, even though the code was for the wrong CRP.

During our visit to the CRP for the Overseas Area, we were informed that the DFAS Cleveland Center stopped sending allotment payments in August 1994. CRP personnel stated that DFAS Cleveland Center personnel had been contacted and were researching the problem. We reviewed the CFC allotment payments made by the DFAS Cleveland Center and determined that the payments were sent to the Mid-South CFC. We notified the DFAS Cleveland Center, and the Center took actions to collect the funds from the Mid-South CFC and send them to the Overseas CFC. We determined that DFAS Cleveland Center personnel erroneously entered the address of the Mid-South CRP for the Overseas Area CFC when a change was made in the CRP address table. As a result, \$445,568 was sent to the Mid-South CRP between August and November 1994. The DFAS should establish controls to ensure that accurate and complete CRP information is entered in the system.

Associated Problems Identified by Fund Organizations. We identified specific problems related to the processing of allotment payments at the one Navy payroll office, but not at the one Air Force and the one Army payroll office we visited. However, system control weaknesses, which would permit erroneous payments to be made and not be detected, existed in the payroll systems used to pay other Service members. Additionally, since October 1993, several fund organizations have questioned the amounts of CFC contributions they received from the DFAS Centers. The following are examples of contributions questioned by the fund organizations.

o Three CRPs notified the DFAS Cleveland Center that they had not received allotment payments. In each instance, the DFAS Cleveland Center determined that clerks at Navy payroll offices had entered the OPM codes instead of the Service-unique codes in the military payroll system. About \$62,972 was sent to the wrong CRPs before the DFAS Cleveland Center took actions to correct the problems. The funds were subsequently collected and distributed to the proper CRPs.

o A clerk at Castle Air Force Base, which participated in the Merced, California, CFC campaign, could not locate the microfiche that contained the CFC codes. The clerk contacted personnel at Beale Air Force Base, California, and requested the code for Merced. Personnel at Beale Air Force Base gave the CFC code for their local area, which was the Yuba Sutter CFC. As a result, allotment payments totalling \$11,824 for February and March 1994, which should have gone to the Merced CFC, went to the Yuba Sutter CFC. The Yuba Sutter CFC returned the funds to the Merced CFC.

Finding A. Processing and Distributing CFC Contributions

o A clerk at the payroll office at Fort Wainwright, Alaska, entered in the Army payroll system the CFC code for the Overseas Area campaign. Alaska, Hawaii, the Commonwealth of Puerto Rico, and the U.S. Virgin Islands are considered part of the Continental United States for CFC purposes. The payroll clerk did not realize that at the time. The Overseas Area Campaign in Merrifield, Virginia, received \$58,770 that should have gone to the Northern Alaska CFC. The Overseas Area CFC returned the funds to the Northern Alaska CFC.

In each of those instances, the funds were returned to the appropriate CRP. However, similar problems will continue to occur until controls are established to limit which codes can be entered by the payroll offices.

Establishing Service-Unique Codes

The DFAS Denver, Indianapolis, and Cleveland Centers disregarded the CRP codes assigned by OPM and assigned their own codes to the CRPs in the address tables in the military payroll systems. Also, even though the DFAS Denver and Indianapolis Centers used the same payroll system, each DFAS Center assigned Service-unique codes. The CRP address codes used by OPM consist of four digits that are printed on the pledge cards along with the address of the fund organization. The systems used by the DFAS Denver and Indianapolis Centers require a six-digit code, one alpha and five numeric. The payroll systems used by the DFAS Cleveland and Kansas City Centers required a three-digit code. The DFAS Centers did not establish the OPM codes as the CRP address codes when the CFC program was initiated. We were told that occurred because some of the CRP codes used by OPM had previously been established in the payroll system to identify allotments such as the Services' relief funds. However, we are not aware of any reason why the DFAS Centers cannot now use the OPM CRP code as a universal CRP code. The DFAS Centers could easily adapt the OPM CRP codes to fit their systems by adding or subtracting zeroes from the OPM CRP code. Using the OPM CRP code would save time and reduce errors because the payroll clerks would not have to hunt for the code. Currently, the clerks at the payroll offices must match the OPM code printed at the top of each pledge card with a corresponding Service-unique code by looking up the CRP area in a manual or on microfiche. Also, the use of the OPM code would make tracking OPM changes in the codes easier.

Consolidated Address Tables. The DFAS Denver Center can simplify the process of updating the CRP address tables by maintaining one table of CRPs. The CRP address tables in the Defense Joint Military Pay System contained all the CRP addresses even though the DFAS Denver and Indianapolis Centers only sent allotment payments to some of them. Currently, the DFAS Denver Center maintains separate tables for the Army and Air Force. If the DFAS Denver Center maintained one CRP address table in the payroll system, it would not have to update two tables. In addition, the DFAS Cleveland Center is scheduled to begin using the Defense Joint Military Pay System in December 1995. If the DFAS Denver Center continues to maintain separate

Finding A. Processing and Distributing CFC Contributions

tables for each Service, the DFAS Denver Center will have to add and maintain a third table when the DFAS Cleveland Center begins to use the Defense Joint Military Pay System. The DFAS Kansas City Center has no plans to convert its payroll system to the Defense Joint Military Pay System.

Maintaining CRP Address Tables

Address Tables of CRPs in the Military Payroll Systems. The DFAS Centers did not have procedures in place to ensure that updates of CRP address tables in the military payroll systems were made correctly and in a timely manner. We obtained a list from each of the DFAS Centers of all the CRPs in the address tables. We compared those lists with the 1994 master list of CRPs obtained from OPM. Our review determined that the CRP address tables in the military payroll systems contained 43 CRPs that were no longer on the OPM list. Some of those invalid codes were so old that OPM did not have documentation as to when they should have been deleted. The 43 CRPs that remained on the CRP address tables could receive CFC funds because the systems considered them valid as long as they were on the tables. As of June 1994, the DFAS Centers distributed \$22,280 to 8 of the 43 invalid CRPs. Table 2 provides a breakdown by DFAS Center of the improper distributions.

Table 2. Funds Improperly Distributed to Invalid CRPs

<u>DFAS Center</u>	<u>Invalid CRPs in System</u>	<u>CRPs Receiving Funds</u>	<u>Amount of Improperly Distributed Funds</u>
Denver	10	1	\$ 48
Indianapolis	3	1	14
Cleveland	29	5	22,188
Kansas City	<u>1</u>	<u>1</u>	<u>30</u>
Total	43	8	\$22,280

OPM informed us that each of the invalid CRPs had been either merged with another CRP or abolished. However, we could not determine whether and when that information had been relayed to the DFAS Centers. The DFAS Centers could have identified the invalid CRPs if they compared the OPM master list of CRPs with the CRPs in their address tables. We contacted the CRPs receiving the funds and were told by seven of the eight CRPs that the allotment payments had been forwarded to the proper CRP. Personnel at the eighth CRP, which received allotment payments totalling \$48, stated that they kept the allotment payments and distributed the funds to local charities.

Timeliness of Updates. The DFAS Indianapolis Center did not initiate changes to the CRP address tables in the military payroll system in a timely manner. The 1994 master list of CRPs was dated February 3, 1994. The DFAS Indianapolis Center did not request that the DFAS Denver Center change

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the 1994 master list of CRPs until August 1994. The DFAS Denver Center changed its address table on February 25, 1994. Both the DFAS Cleveland and Kansas City Centers updated their address tables in March 1994. Because the payments for the campaign year started in January, delays in making changes to the address table meant that allotment payments could have gone to merged or abolished CRPs. The invalid CRPs would continue to receive allotment payments until the payroll system was updated. The DFAS Centers should make the changes to the CRP address tables in military payroll systems soon after the updates are received.

Issuing the Annual List of CRPs

Timeliness of Issuing Lists. By the time OPM issued the 1994 master list of CRPs to the Federal payroll offices on February 3, 1994, allotments had already been deducted from the Service members' pay, and the first month's allotment payments had been distributed to the CRPs. During our audit, we discussed with OPM personnel the importance of issuing the master list of CRPs before January of each year. OPM personnel were not aware of the effect on the DFAS Centers when the master list of CRPs was not issued before the start of the year. OPM personnel agreed to take corrective action to ensure that Federal payroll offices, including the DFAS Centers, receive future lists of CRPs before payroll deductions begin. OPM issued the 1995 master list of CRPs on November 14, 1994.

Identification of Changes. OPM did not assist Federal payroll offices in identifying merged or abolished CRPs. The OPM updates of CRP addresses did not always make the Federal payroll offices aware of all changes of address. We compared the 1993 master list of CRPs with the 1994 master list and found that four CRPs on the 1993 list were not on the 1994 list. We did not find the four CRPs identified in any of the 1993 updates issued to the Federal payroll offices. OPM did not include on the transmittal cover sheet or identify on the list those CRPs that had been merged or abolished. We contacted OPM to determine the status of the four CRPs. OPM personnel informed us that three CRPs had merged with other CRPs, and one had been abolished. Those four CRPs would remain on the CRP address tables in the military payroll systems because of control weaknesses, and could receive allotment payments. In addition, when allotment payments for a CRP were to be sent to a financial institution, the OPM master list identified only the address of the financial institution; it did not identify the address of the CRP. Unless OPM lists the address of the CRP in addition to the address of the financial institution, the Federal payroll offices will not know where to send the supporting statements that are required to accompany each allotment payment (Finding B).

Reporting Changes of Address. The OPM master list of CRPs did not always identify the correct CRP addresses because the CRPs often reported changes of address directly to the DFAS Centers that sent them funds. As a result, the master list of CRPs was not always up-to-date. For example, a CRP notified the DFAS Denver Center of an address change, effective January 1994. We

Finding A. Processing and Distributing CFC Contributions

reviewed the 1994 OPM master list of CRPs and the first update to the list, dated April 1994, and found that the old address was still shown. OPM was not aware that the CRP had a new address. OPM needs to require the CRPs to report all changes of address to OPM so that correct and complete updates can be issued to all Federal payroll offices.

Conclusion

Management controls were not sufficient to ensure that payroll deductions for CFC contributions were processed and distributed according to the wishes of the Service members. Limiting the CRP address codes that clerks at the payroll offices can enter into the military payroll systems should increase the accuracy of the data, and consequently reduce the amount of funds distributed to the wrong CRPs. Coding errors should also be reduced by using the OPM code printed on the CFC pledge card as the code that identifies the CRP, instead of assigning a Service-unique code to each CRP. Proper distributions of CFC contributions would be further ensured if the CRP address tables contained accurate data, and the OPM master list of CRPs provided all the information Federal payroll offices needed.

Recommendations, Management Comments, and Audit Response

A. We recommend that the Director, Defense Finance and Accounting Service:

- 1. Modify the military payroll systems so that payroll offices can enter the central receipt and accounting point address code only for the area or areas that they service.**

Management Comments. The DFAS concurred in principle with the recommendation. The DFAS will create a new table in the Defense Joint Military Pay System that will compare the location of the CRPs to the areas serviced by the input stations. The estimated completion date for approval of the Defense Joint Military Pay System project and its requirements is September 1995.

The DFAS Cleveland Center currently operates under the Navy's Joint Uniform Military Pay System. Separate systems would have to be developed for over 440 payroll offices to implement this change, resulting in prohibitive costs. Until the Navy migrates to the Defense Joint Military Pay System in December 1996, the DFAS Cleveland Center will accomplish the validation through changes to the DFAS "Pay and Personnel Procedures Manual" and

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issuance of a Military Pay Advisory instructing payroll offices to use CRP codes only for the areas serviced. The estimated completion date for the Navy's procedural changes is July 1995.

Audit Response. The DFAS comments were responsive to the recommendation. We agree with the DFAS plans to create a new table in the Defense Joint Military Pay System for the input source location. However, at the time we made the recommendation, we were unaware that the milestone for the Navy's consolidation onto the Defense Joint Military Pay System had been changed to December 1996. The Navy has experienced major problems because pay stations use incorrect CRP codes. We request that the response to the final report include details on the procedural changes to the DFAS "Pay and Personnel Manual," and identify how those changes will correct the problems of entering the wrong CRP codes in the pay system for Navy personnel.

2. Establish controls at the Defense Finance and Accounting Service Centers to ensure that accurate and complete central receipt and accounting point information is entered in the military payroll systems by personnel updating and correcting data.

Management Comments. The DFAS concurred with the recommendation. The DFAS Centers will initiate changes to their operating procedures to ensure that data entering the pay system are accurate and complete. The estimated completion date is June 1995.

Audit Response. Management's comments were responsive to the recommendation. No further action is required.

3. Require the Defense Finance and Accounting Service Centers to use the central receipt and accounting point address codes assigned by the Office of Personnel Management in the central receipt and accounting point address tables.

Management Comments. The DFAS concurred with the recommendation. The DFAS will create a new CRP code table (see Recommendation A.1.) that links the OPM code to existing company codes. This will enable clerks in the field to use the OPM code. The estimated completion date is February 1996.

Audit Response. The corrective actions proposed will benefit the Air Force and Army at this time. However, we are most concerned about the Navy. As stated in our audit response to management's comments on Recommendation A.1., we request that the response to the final report include details on the procedural changes to the DFAS "Pay and Personnel Procedures Manual," and how these changes will correct the problem of entering the wrong CRP codes into the pay system for Navy personnel.

4. Require the Defense Finance and Accounting Service Denver Center to maintain one table of central receipt and accounting points for the Air Force and Army. Use the same address table when the Navy members are paid by the Defense Joint Military Pay System.

Finding A. Processing and Distributing CFC Contributions

Management Comments. The DFAS concurred with the recommendation. The DFAS will initiate a system change to establish standard CFC codes for the Army and the Air Force. The Navy codes will be consolidated to ensure standardization when Navy payroll migrates to Defense Joint Military Pay System. The estimated completion date is February 1996.

Audit Response. Management's comments were responsive to the recommendation. No further action is required.

5. Develop procedures to ensure that the Defense Finance and Accounting Service Centers update the central receipt and accounting point address codes in the military payroll system within 2 weeks of receiving the codes, and ensure that the address tables include only the central receipt and accounting points currently authorized by the Office of Personnel Management.

Management Comments. The DFAS concurred with the recommendation. The DFAS Centers will develop procedures to ensure that CRP codes and system tables are accurate and updated within two weeks after receipt from OPM. Also, the DFAS Cleveland Center will incorporate an additional audit procedure at the beginning of the calendar year to routinely compare DFAS system tables and the OPM listing to prevent invalid codes in the future. The estimated completion date is December 1996.

Audit Response. Management's comments were responsive to the recommendation. No further action is required.

6. Request that the Office of Personnel Management:

a. Identify on the transmittal cover sheet, or annotate on the annual master list of central receipt and accounting points as well as any updates to the list, all central receipt and accounting points that have been merged and abolished or have had a change of address.

b. Provide the addresses for the central receipt and accounting points that have their allotment payments sent to a financial institution.

c. Require that all central receipt and accounting points promptly notify them of changes of address and that those changes be promptly sent to all Federal payroll offices.

Management Comments. The DFAS concurred with the recommendation, and will interface with OPM to establish procedures that will accomplish the goals listed in the recommendation. The estimated completion date is December 1995.

Audit Response. Management's comments were responsive to the recommendation. No further action is required.

Finding B. Statements Supporting Allotment Payments

The DFAS Cleveland, Indianapolis, and Denver Centers did not send the CRPs supporting statements that identified, by agency, the number of employees who contributed to the CFC through payroll deductions. The DFAS Cleveland Center recognized the need for supporting statements, but did not prepare supporting statements because the needed change in the payroll system was not given a high priority. The DFAS Indianapolis Center did not send supporting statements because personnel misinterpreted Department of the Treasury (Treasury) guidance. The DFAS Denver Center sent some information; however, the information was incomplete. Because the DFAS Centers did not send adequate supporting statements, the CRPs did not have the information needed to properly post allotment payments, track differences between pledged amounts and allotment payments, and identify payment problems.

Criteria Governing CFC Payments

OPM guidance, "1988 Combined Federal Campaign; Final Rule and Notice," May 26, 1988, stipulates that each allotment check will be accompanied by a statement identifying the agency and the number of employee deductions. The statement should not include the names or Social Security numbers of the employees making the contributions. The Director of CFC Operations, OPM, repeated those requirements in an October 1, 1993, letter to the heads of Federal payroll offices. That letter was in response to complaints from the CRPs that agency payments were not accompanied by the required supporting documentation. That letter also advised that each statement should identify the pay period the statement covered. In a November 29, 1993, letter, the Treasury's Financial Management Service reemphasized the necessity to provide supporting documentation to the CRPs. The Voluntary Campaign Management Staff is responsible for issuing guidance within DoD on the operations of the CFC.

Supporting Statements for Allotment Payments

The DFAS Centers did not send the CRPs supporting statements that identified, by agency, the number of employees who contributed to the CFC through payroll deductions. Only the DFAS Kansas City Center sent statements to the CRPs that identified the number of DoD employees who contributed each month to the local campaign. However, the Service of the members for whom the DFAS Kansas City Center made allotment payments was not apparent to

Finding B. Statements Supporting Allotment Payments

the CRPs. We visited the four DFAS Centers that were responsible for payroll deductions for Service members to determine why they did not send supporting statements according to OPM and Treasury guidance.

DFAS Cleveland Center. DFAS Cleveland Center personnel did not send supporting statements to CRPs for Navy military members because they could not obtain the required data using their current payroll system. To comply with that requirement, personnel at the DFAS Cleveland Center said they would have to manually prepare and send statements to about 200 CRPs. Personnel in the Disbursing Operations Division requested a system change in March 1994 to obtain the data needed to complete a monthly postcard mailer that would provide the CRPs with the required supporting documentation. The system change request was disapproved in July 1994. DFAS Cleveland Center personnel took no further action to prepare the required statement.

DFAS Indianapolis Center. DFAS Indianapolis Center personnel interpreted the November 29, 1993, Treasury letter to mean that a supporting statement should not be sent to the CRPs. However, that interpretation was clearly in error. The Treasury letter repeated the OPM requirement for a supporting statement and stated that a list of the names or Social Security numbers of individual employees should not be given to charitable organizations because release of that information might constitute a violation of the Privacy Act of 1974. The DFAS Indianapolis Center enclosed a card with the allotment payment, indicating that a supporting statement was forthcoming under separate cover. However, nothing was sent to the CRPs. The DFAS Indianapolis Center had the information and informed us that the information could be sent if the CRPs requested it.

DFAS Denver Center. DFAS Denver Center personnel included on the allotment check the number of employees who had payroll deductions withheld. However, the CRP personnel whom we contacted during the audit did not realize the information was on the check until we advised them of it. The number was not highlighted or marked in any way. Also, several CRPs had allotment payments sent directly to financial institutions. Therefore, those CRPs would never see the information printed on the allotment checks.

DFAS Kansas City Center. The DFAS Kansas City Center sent supporting statements to the CRPs that showed the number of contributors and the total dollar amounts that they contributed. The statements also showed the pay periods that the checks covered. However, the statements did not indicate that the allotment payments were from Marine Corps personnel. The only reference was to the disbursing activity, the DFAS Kansas City Center. Personnel at the CRPs told us that information identifying the Service that each DFAS Center made payments for would be most helpful. Most CRPs did not know the Service. Personnel at the DFAS Kansas City Center stated that the Service could be easily identified on the statements.

Finding B. Statements Supporting Allotment Payments

Effects of Not Receiving Adequate Supporting Statements

Need for Supporting Statements. During 1994, the DFAS Centers sent allotment payments to 367 of the 456 authorized CRPs. We judgmentally selected 30 of the 367 CRPs and sent them a questionnaire that we developed. The questionnaire requested comments concerning the accuracy of payments received from the DFAS Centers and the usefulness of supporting statements. We received responses to the questionnaires from 21 of the 30 CRPs. The responses indicated that the CRPs could not tell whether they were receiving all the allotment payments that were pledged to them by Service members as well as DoD civilian personnel. Personnel at the CRPs indicated that they would use supporting statements to reconcile the pledges with the allotment payments they received. Visits to three other CRPs confirmed the need for supporting statements. Information on the statements was needed to properly post allotment payments, track shrinkage, and identify payment problems. Also, the CRPs had to contact personnel at OPM when they had questions concerning payment problems, because they did not know which DFAS Center to contact. Personnel at OPM would contact personnel at the Voluntary Campaign Management Staff, who would then relay the question to the appropriate DFAS Center. The DFAS Center would then contact the CRP to resolve the problem. That procedure unnecessarily increased the time needed to correct problems. Identifying the Service as the agency for which allotment payments have been processed and distributed is essential.

Properly Posting Allotment Payments. Without adequate supporting documentation, CRPs could not properly post allotment payments to internal records that identified, by Service, the amounts contributed by members. Allotment payments were not properly posted because the CRPs could not identify for which Government employees the allotment payments were sent. When the allotment payments were received, the CRPs tried to match the checks to the Government agency or Service to ensure that they received funds from all the organizations that participated in the campaign. Because they did not know which DFAS Center distributed allotment payments for which Service, the CRPs could not verify that they had received funds from all organizations that participated in the campaign. Some CRP personnel stated that identifying on the statements the specific organizational unit or activity to which the Service members belonged would also be useful.

As mentioned in Finding A, allotment payments were sometimes mailed directly to a financial institution. Of the 456 CRPs on the OPM 1994 master list of CRPs, 40 (9 percent) had allotment payments sent directly to a financial institution. Because the statement from the financial institution showed only the amounts received and deposited, the CRP would not have the information it needed to properly post the allotment payments and track shrinkage.

Tracking Shrinkage From Pledged Amounts. Because CRPs could not match allotment payments received to the amounts pledged by Service members, they could not readily determine whether they had received all the funds pledged to them. For example, Army, Navy, Air Force, and Marine Corps personnel, in addition to personnel from other Government agencies, often participated in the

Finding B. Statements Supporting Allotment Payments

same CFC. When the CRPs received the allotment payments, they were tallied and compared with the total amount of pledges received from Service members and personnel from the other Government agencies. A difference was considered shrinkage. If the difference was significant, the CRP would have difficulty determining which Service or agency was responsible. CRPs were aware that the amounts received each month from pledges would gradually decrease because some members would voluntarily stop their allotments or leave the Services. However, without knowledge of the actual number of employees who contributed each pay period to the CFC, CRPs could not tell whether the shrinkage was due to pledges that were never entered into the system, allotments being discontinued for Service members, or errors made by the DFAS Centers in the amounts they sent.

Identifying Payment Problems. CRPs could not readily identify whether they had payment problems. The CRPs could not confirm that they had payment problems related to any specific DFAS Center because they could not confirm that they had not received the amounts that had been pledged. They could identify payment problems only if they received no allotment payments at all or if they received significantly more than was pledged. Personnel at the DFAS Centers informed us of inquiries they received from CRPs concerning allotment payments. In most instances, the CRPs contacted the DFAS Centers because they had pledge cards from the Service members but had not received allotment payments. A supporting statement to the CRPs that identified, by Service, the number of employee deductions associated with each allotment payment could have alerted the CRPs of problems that warranted review.

Liaison for Local CFC

CFC volunteers at each installation or activity in the CFC should provide the detailed information needed by the CRPs to identify the Federal payroll offices that should send allotment payments for DoD employees. Service regulations authorize the establishment of a network of volunteers at each installation or activity to support the local CFC. Those workers act as liaisons between the organizations in which they work and the fund organizations. OPM provides training to personnel at the fund organizations who, in turn, provide campaign workers with instructions on conducting the campaign, including details on collecting and accounting for information obtained from campaign contributors. Information identifying the Federal payroll offices for each organization should be obtained during the campaign and forwarded to the fund organization for use by the CRP. With that information, the CRP can determine whether allotment payments were received from each of the Federal payroll offices.

Finding B. Statements Supporting Allotment Payments

Conclusion

The DFAS Centers did not provide the CRPs with sufficient information on the allotment payments sent to the CRPs. Without information on the employees who contributed to the CFC, and, at a minimum, which Service a member belonged to, the CRPs could not properly post payments, track shrinkage, and identify payment problems. The audit specifically addressed problems with the processing and distribution of allotment payments of Service members. However, CRP personnel identified similar problems related to allotment payments of DoD civilian personnel. These problems have led us to conclude that the same information needs to be sent for DoD civilian personnel. Additional information that could be furnished through campaign workers to the CRPs would help to ensure that allotment payments were received from all responsible payroll offices.

Recommendations, Management Comments, and Audit Response

B. We recommend that the Director, Defense Finance and Accounting Service:

1. Require Defense Finance and Accounting Service Centers to develop procedures to include with each allotment payment sent to a central receipt and accounting point for military and DoD civilian personnel, or under separate cover, a statement that identifies the:

- a. Dollar value of the allotment payment.
- b. Payment period covered by the payment.
- c. Number of employees who contributed.
- d. Service to which a member belonged.

Management Comments. The DFAS concurred with the recommendation as it related to military personnel. The DFAS will develop a standard report to accompany CFC allotment payments to CRPs, or send one under separate cover. The estimated completion date is December 1995. However, the DFAS did not believe that we should have included a similar requirement for DoD civilian personnel.

Audit Response. The DFAS comments related to military personnel were responsive to the recommendation. In regard to requiring that similar procedures be developed for allotment payments of DoD civilian personnel, we believe that our limited work indicated that DFAS did not always provide the

Finding B. Statements Supporting Allotment Payments

CRPs with sufficient information on the allotment payments of DoD civilian personnel. The recommended procedures need to be implemented at all DFAS Centers and related defense accounting offices to ensure that the CRPs have the required information for all DoD personnel. We request the DFAS to reconsider its comments as they relate to DoD civilian personnel and to provide additional comments in its response to the final report. The response should include positive assurance that DFAS is fully complying with OPM and Treasury guidance as it relates to the allotment payments of DoD civilian personnel.

2. Request the Office of Personnel Management to require fund organizations to instruct campaign workers to annually identify and provide to the central receipt and accounting points the DoD payroll offices that will send allotment payments for military and DoD civilian personnel.

Management Comments. The DFAS concurred with the recommendation as it related to military personnel. The DFAS will interface with OPM to comply with the recommended corrective action. The estimated completion date is December 1995. As in the response to Recommendation B.1., the DFAS did not believe that we should have included a similar requirement for DoD civilian personnel.

Audit Response. The DFAS comments related to military personnel were responsive to the recommendation. We believe for the same reason as is mentioned in our response to Recommendation B.1. that DFAS should request OPM to require fund organizations instruct campaign workers to annually identify and provide to the CRPs the DoD payroll offices that will send allotment payments for DoD civilian personnel. With that information, the CRP can determine whether allotment payments were received from each of the payroll offices. We request the DFAS to reconsider its comments as they relate to DoD civilian personnel and to provide additional comments in its response to the final report.

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Part II - Additional Information

Appendix A. Scope, Methodology, and Management Control Program

Scope and Methodology

We obtained and reviewed lists from the DFAS Denver, Indianapolis, Cleveland, and Kansas City Centers that identified the number and dollar value of CFC contributions that were withheld from the pay of military personnel through payroll deductions. We reviewed payroll deductions for CFC contributions for the period January 1993 through June 1994. We also determined the amounts distributed to the CRPs during that same period.

Table A-1. CFC Distributions in 1993 Made by DFAS Centers

<u>DFAS Center</u>	<u>CFC Distributions</u>	<u>Military Personnel</u>	<u>Number of CRPs</u>
Denver	\$15,111,212	171,295	167
Indianapolis	11,950,349	198,278	200
Cleveland	16,844,191	166,386	249
Kansas City	<u>3,196,060</u>	<u>63,833</u>	131
Total	\$47,101,812	599,792	

Table A-2. CFC Distributions in 1994 Made by DFAS Centers

<u>DFAS Center</u>	<u>CFC Distributions</u>	<u>Military Personnel</u>	<u>Number of CRPs</u>
Denver	\$ 7,472,963	155,149	149
Indianapolis	5,949,644	183,743	209
Cleveland	7,974,435	186,225	215
Kansas City	<u>1,519,098</u>	<u>65,341</u>	132
Total	\$22,916,140	590,458	

Appendix A. Scope, Methodology, and Management Control Program

At the DFAS Centers, we analyzed systems and procedures for processing and distributing CFC contributions to CRPs. We reviewed the CRPs on the address tables in the military payroll systems and compared them with the master list of CRPs maintained by the Director, OPM.

We reviewed procedures for entering information into the military payroll systems at three payroll offices that provided payroll support for Air Force, Navy, and Marine Corps members. With the exception of those problems that were brought to our attention, we did not review the processing and distribution of payroll deductions for DoD civilian personnel. We compared information on the CFC pledge cards with the information in the military payroll systems. We also reviewed the procedures at three judgmentally selected CRPs for handling pledge cards and processing the allotment payments they received from Federal payroll offices, including the DFAS Centers. The three CRPs received large monthly allotment payments from the four DFAS Centers. We reviewed the pledge cards that were available at the CRPs for a sample of the individual payroll deductions that were sent to those CRPs. We also developed a questionnaire that requested comments from 30 CRPs concerning the accuracy of payments they received from the DFAS Centers and the usefulness of supporting statements. We analyzed the replies for each of the 21 CRPs that answered the questionnaire. Appendix D lists the organizations we visited or contacted.

Use of Computer-Processed Data. We performed various reviews to determine the reliability of computer-processed data provided to us. We limited our review of general and application controls for computer-processed data to tracing transactions through the military payroll systems, observing operations, and conducting interviews. We also compared, by employee name, the data in the military payroll systems with the data on pledge cards reviewed at the payroll offices and the CRPs.

To the extent that we reviewed that data, we concluded that they were sufficiently reliable to be used in meeting our audit objectives.

Audit Period, Standards, and Locations. This economy and efficiency audit was performed from June 1994 through March 1995. The audit was made in accordance with auditing standards issued by the Comptroller of the United States as implemented by the Inspector General, DoD, and accordingly included tests of management controls that we considered necessary. Appendix D lists the organizations we visited or contacted.

Management Control Program

DoD Directive 5010.38, "DoD Management Control Program," April 14, 1987, requires DoD organizations to have management control techniques in place to ensure that events are occurring as desired and to have a program in place to evaluate those management controls.

We determined whether the DFAS Centers complied with DoD Directive 5010.38. Specifically, we evaluated management controls for compliance with laws, regulations, and procedures for processing and distributing payroll deductions for charitable contributions. Also, we determined the extent to which the DFAS Centers evaluated their management controls over payroll deductions, and the results of any self-evaluations.

Adequacy of Management Controls. We identified a material management control weakness for DFAS related to the processing and distribution of contribution data on CFC pledge cards. Our audit showed that the DFAS Centers had not established adequate management controls to ensure that payroll deductions for CFC contributions were processed and distributed according to the wishes of Service members. Based on the discussions we held with CRP personnel and our review of limited data, we concluded that similar problems existed in the processing and distribution of allotment payments for DoD civilian personnel. Recommendations A.1., A.2., A.5., and A.6., if implemented, will correct the weaknesses (Appendix C). A copy of the final report will be provided to the senior official responsible for management controls in the DFAS.

Adequacy of the DFAS Self-Evaluation of Applicable Management Controls. DFAS officials identified payroll deductions as part of the broader assessable unit, military pay disbursing. DFAS did not identify the specific material management control weakness identified by the audit because the DFAS evaluation covered a much broader area. The erroneous processing and distribution of contribution data on CFC pledge cards could undermine the credibility and continued success of the CFC within DoD. Consequently, we considered the management control weakness to be material.

Prior Audits and Other Reviews

During the last 5 years, the Inspector General, DoD, has not issued any reports related to the processing and distribution of payroll deductions for the CFC. OPM, as administrator of the CFC, is annually required to conduct audits of selected campaigns. Those audits are conducted by the Inspector General, OPM. Audits in the last several years determined that some fund organizations received allotment payments for campaign contributions to which they were not entitled.

Appendix B. Distributing Campaign Receipts to Charitable Agencies

Procedures at DFAS Centers and Local Payroll Offices

The DFAS Cleveland, Denver, Indianapolis, and Kansas City Centers are the Federal payroll offices for the Services (the Navy, the Air Force, the Army, and the Marine Corps, respectively). The DFAS Centers establish codes for the CRPs. The codes are used to identify the CRP at the start of the allotment process and to ensure the proper distribution of allotted funds to the designated campaign areas.

The local payroll offices for the Services are responsible for entering the CFC allotment information into the military payroll systems. Contributors sign pledge cards to designate their intentions to contribute to CFC through payroll deductions. Completed pledge cards should be sent to the contributors' local payroll offices as soon as possible, but preferably no later than December 15. However, pledge cards received after that date should be accepted and processed. The clerks at the local payroll offices must enter a Service-unique code into the system; the code corresponds to the participating geographic CFC area designated at the top of the pledge card. To determine what CRP address code should be used, the clerks must locate the CFC area designated at the top of the pledge card on a list of Service-unique codes. After all the required data are entered into the military payroll system, the information is electronically transmitted to the DFAS Centers, and the allotted amounts are automatically deducted each month from the members' pay. The DFAS Centers distribute the monthly allotment payments to the CRPs that were entered into the system. Each DFAS Center issues one check each pay period to each CRP.

Procedures at CRPs

When CRPs receive the pledge cards, they tally the total amount of pledges received from each Government agency and compute the percentage of funds they will remit to each designated agency. Contributions to one of the general designation funds by members who prefer not to designate to specific agencies are shared proportionately among the associated agencies based on their percentage share of gross campaign receipts. The percentage is based on the amount designated to each agency as a part of the total amount pledged. The designated agencies share administrative costs of the CFC based on their percentage shares of gross campaign receipts (cash, checks, payroll deductions).

Appendix B. Distributing Campaign Receipts to Charitable Agencies

Once the CRP has arrived at those percentages, they will be applied to receipts throughout the year, automatically adjusted each month for the difference between the total amount of pledges and total receipts. When the CRPs receive the allotment payments from the Federal payroll offices, including the DFAS Centers, they post the payments to the accounts of the designated agencies and to the general designation fund. For campaigns in which pledges total \$500,000 or more, CRPs are to send checks monthly to the designated agencies. For campaigns of lesser amounts, checks are to be sent on a quarterly basis.

Appendix C. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Type of Benefit
A.1.	Management controls. Modifying the military payroll systems to ensure that a payroll office can enter the CRP address code only for the CFC area it services will prevent erroneous codes from being entered and reduce the amount of funds being distributed to the wrong CRP.	Nonmonetary.
A.2.	Management controls. Establishing controls to ensure that accurate and complete CRP information is entered by the personnel responsible for updating and correcting data will ensure that allotment payments are distributed to valid and appropriate CRPs.	Nonmonetary.
A.3.	Economy and efficiency. Using the CRP address codes assigned by OPM in the military payroll systems will ensure that CRPs can be tracked and will reduce the number of erroneous codes.	Nonmonetary.
A.4.	Economy and efficiency. Maintaining one table of CRPs for the Army, Navy, and Air Force will eliminate the need to make changes to each table.	Nonmonetary.
A.5.	Management controls. Updating the CRP address codes in the military payroll systems promptly and eliminating unauthorized CRP codes from address tables will ensure that allotment payments are distributed to the appropriate CRPs.	Nonmonetary.

Appendix C. Summary of Potential Benefits Resulting From Audit

Recommendation Reference	Description of Benefit	Type of Benefit
A.6.	Management controls. Identifying all merged and abolished CRPs and promptly sending correct data to the Federal payroll offices will result in more accurate data being entered in the military payroll systems and accurate distribution of allotment payments.	Nonmonetary.
B.1.	Compliance with laws and regulations. Assists the CRPs in properly posting payments, tracking shrinkage, and identifying payment problems by submitting the required supporting statements.	Nonmonetary.
B.2.	Economy and efficiency. Develops procedures to assist the CRPs in identifying the DoD payroll offices that should be sending allotment payments.	Nonmonetary.

Appendix D. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller), Washington, DC
Director, Administration and Management, Washington, DC

Department of the Army

Fitzsimons Army Medical Center, Aurora, CO
III Corps Finance Group, Fort Hood, TX
Army Communications-Electronics Command, Fort Monmouth, NJ

Department of the Navy

Personnel Support Activity Detachment, Indianapolis, IN

Department of the Air Force

K.I. Sawyer Air Force Base, MI
Laughlin Air Force Base, TX
Mountain Home Air Force Base, ID
Peterson Air Force Base, CO
U.S. Air Force Academy, Colorado Springs, CO

Other Defense Organizations

Defense Finance and Accounting Service, Arlington, VA
Defense Finance and Accounting Service Cleveland Center, Cleveland, OH
Defense Finance and Accounting Service Denver Center, Denver, CO
Defense Finance and Accounting Service Indianapolis Center, Indianapolis, IN
Defense Finance and Accounting Service Kansas City Center, Kansas City, MO

Appendix D. Organizations Visited or Contacted

Non-Defense Federal Organizations

Office of Personnel Management, Washington, DC
Combined Federal Campaign Organizations
Allen County Combined Federal Campaign, Fort Wayne, IN
Central Maryland Combined Federal Campaign, Baltimore, MD
Central Oklahoma Combined Federal Campaign, Oklahoma City, OK
Chambersburg Area Combined Federal Campaign, Chambersburg, PA
Chicago Area Combined Federal Campaign, Chicago, IL
Combined Federal Campaign of the Mid-South, Memphis, TN
Denver Metro Area Combined Federal Campaign, Denver, CO
East West Gateway Combined Federal Campaign, Saint Louis, MO
Fort Riley Combined Federal Campaign, Junction City, KS
Greater Cleveland Combined Federal Campaign, Cleveland, OH
Greater Harrisburg Area Combined Federal Campaign, Harrisburg, PA
Greater Kansas City Combined Federal Campaign, Kansas City, MO
Greater Lafayette Combined Federal Campaign, Lafayette, IN
Greater New Orleans Area Combined Federal Campaign, New Orleans, LA
Greater Odessa Combined Federal Campaign, Odessa, TX
Greater Worcester County Combined Federal Campaign, Worcester, MA
Island County Combined Federal Campaign, Oak Harbor, WA
King County Combined Federal Campaign, Seattle, WA
Lauderdale County Combined Federal Campaign, Meridian, MS
Maricopa County Combined Federal Campaign, Phoenix, AZ
Metropolitan Atlanta Combined Federal Campaign, Atlanta, GA
Mississippi Gulf Area Combined Federal Campaign, Gulfport, MS
Nash-Middle Tennessee Combined Federal Campaign, Nashville, TN
National Capital Area Combined Federal Campaign, Washington, DC
North Central Ohio Combined Federal Campaign, Mansfield, OH
Northern New Jersey Combined Federal Campaign, Newark, NJ
Okaloosa-Walton Counties Combined Federal Campaign, Fort Walton Beach, FL
Orange County Combined Federal Campaign, Irvine, CA
Overseas Area Combined Federal Campaign, Merrifield, VA
Pioneer Valley Combined Federal Campaign, Springfield, MA
Pulaski County Combined Federal Campaign, Little Rock, AR
San Antonio Area Combined Federal Campaign, San Antonio, TX
San Diego County Combined Federal Campaign, San Diego, CA
Seymour Johnson AFB, Wayne County Combined Federal Campaign,
Goldsboro, NC
Southeastern Wisconsin Combined Federal Campaign, Milwaukee, WI
South Hampton Roads Combined Federal Campaign, Norfolk, VA
Southeast Connecticut Combined Federal Campaign, Gales Ferry, CT
Trident Combined Federal Campaign, Charleston, SC
Twenty-Nine Palms Area Combined Federal Campaign, Joshua Tree, CA
United Way of Huntington County, Huntington, IN
United Way of Lake and Sumter Counties, Leesburg, FL
Vermillion County Combined Federal Campaign, Danville, IL

Appendix E. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
Director, Administration and Management

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army

Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Defense Agencies

Director, Defense Finance and Accounting Service
Director, Defense Finance and Accounting Service Cleveland Center
Director, Defense Finance and Accounting Service Denver Center
Director, Defense Finance and Accounting Service Indianapolis Center
Director, Defense Finance and Accounting Service Kansas City Center

Appendix E. Report Distribution

Non-Defense Federal Organizations

Office of Management and Budget

Office of Personnel Management

National Security and International Affairs Division, Technical Information Center,
General Accounting Office

Chairman and ranking minority member of each of the following congressional
committees and subcommittees:

Senate Committee on Appropriations

Senate Subcommittee on Defense, Committee on Appropriations

Senate Committee on Armed Services

Senate Committee on Governmental Affairs

House Committee on Appropriations

House Subcommittee on National Security, Committee on Appropriations

House Committee on Government Reform and Oversight

House Subcommittee on National Security, International Affairs, and Criminal

Justice, Committee on Government Reform and Oversight

House Committee on National Security

Part III - Management Comments

Defense Finance and Accounting Service Comments



DEFENSE FINANCE AND ACCOUNTING SERVICE

1931 JEFFERSON DAVIS HIGHWAY
ARLINGTON, VA 22240-5291

JUN 8 - 1995

DFAS-HQ/F

MEMORANDUM FOR DEPUTY DIRECTOR, FINANCIAL MANAGEMENT DIRECTORATE,
INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Further Response to DoD(IG) Draft Report,
"Processing and Distribution of Combined Federal
Campaign (CFC) Payroll Deductions for Military
Personnel," (Project No. 4FI-5038)

Our further comments to the information requested on
recommendations A2, A3, A4, A5, A6, B1, and B2 in the report
are attached.

On page 24, paragraph 3, a statement was made that, based on
a few conversations and a limited data review, similar problems
existed in the processing of CFC payroll deductions for DoD
civilian personnel. As far as we can determine, your staff never
discussed this issue with our Civilian Pay Directorate or
performed a review of civilian pay operations. Also, the
statement is inappropriate in an audit of military pay
operations. In that regard, request that the statement be
deleted from the draft report.

The point of contact for civilian pay issues is Ms. Cheree
Emory. She may be reached at 607-1539. The point of contact for
military pay is Ms. Ann Cook, DFAS-HQ/PM. She may be reached at
602-5279.

Roger W. Scearce
Roger W. Scearce
Brigadier General, USA
Deputy Director for Finance

Attachment:
As stated

cc: DFAS-CL
DFAS-DE
DFAS-IN
DFAS-KC
DJMS PMO
DRAS PMO

Defense Finance and Accounting Service Comments

Defense Finance and Accounting Service Further Comments on DoD(IG) Draft Report, "Processing and Distribution of Combined Federal Campaign (CFC) Payroll Deductions for Military Personnel," (Project No. 4FI-5038)

Recommendation A.2.: Recommend the establishment of controls at the Defense Finance and Accounting Service (DFAS) Centers, to ensure accurate and complete central receipt and accounting point (CRP) information is entered in the military pay systems by personnel updating and correcting data.

Concur/Nonconcur. Concur. All DFAS Centers will initiate changes to their operating procedures to ensure data entering the pay system is accurate and complete. Also, to help prevent errors in submission of CFC allotment input, DFAS Cleveland Center and OPM are reviewing a proposed change in procedures which would force the submitting activity to locate the correct CRP code.

Estimated completion: Revised estimated completion date is June 1995.

Recommendation A.3.: Recommend DFAS Centers be required to use the CRP codes assigned by OPM in their CRP address table (Table 50).

Concur/Nonconcur. Concur. We will create a new Office of Personnel Management (OPM) CRP code table (see Recommendation A.1.) that links the OPM code to existing company codes. This will enable the clerk in the field to use the OPM code. The functional description and systems change request to accomplish this will be written and presented to our Configuration Control Board for review in September 1995. The auditors are welcome to attend this requirement review, once we are at that phase. As for DFAS Cleveland, the current allotment sub-system allows for input of a three position CRP. However, they are prevented from dropping the lead zero of the OPM four digit code because many of OPM's codes are identical to three digit address/locality codes established for other types of allotments. Also, the programming effort associated with this change would be cost-prohibitive, especially considering our current efforts to convert DFAS Cleveland to DJMS. When DFAS Cleveland migrates to DJMS (approximately December 1996), we will ensure standardization. It is also important to note that implementation of this feature will be deferred until completion of action to merge Army and Air Force company codes (see Recommendation A.4.).

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Estimated completion: Revised estimated completion date is February 1996.

Recommendation A.4.: Recommend the DFAS Denver Center be required to maintain one table of CRPs for the Army and Air Force and use the same address table when Navy members are paid by DJMS.

Concur/Nonconcur. Concur. DJMS currently uses a single table (Table 50) to record CRPs for the Army and Air Force. However within the table the Army and Air Force use different company codes for the same CFC recipient. DJMS will initiate a system change to establish standard CFC codes. Also, the Navy codes will be consolidated on Table 50 to ensure standardization when Navy pay migrates to DJMS.

Estimated completion: Revised estimated completion date is February 1996.

Recommendation A.5.: Recommend development of procedures to ensure the DFAS Centers update the CRP address codes in the military payroll systems within two weeks of receiving them and ensure that the CRP address tables include only the CRPs currently authorized by OPM.

Concur/Nonconcur. Concur. DFAS Centers will develop procedures to ensure CRP codes and system tables are accurate and updated within two weeks after receipt from OPM. Also, to prevent future invalid codes, DFAS Cleveland will incorporate an additional audit procedure at the beginning of the calendar year to routinely compare DFAS system tables and the OPM listing. DFAS Headquarters will initiate discussions with OPM concerning automation of their address update procedure. Full implementation of DJMS will ensure that Army, Air Force, and Navy use the same CRP table and company code table (Table 50), automation of the OPM updates will ensure timely and accurate code/table updates.

Estimated completion: Revised estimated completion date is December 1996.

Recommendation A.6.: Request that OPM:

a. Identify on the transmittal cover sheet, or annotate on the annual Master List of CRPs, as well as any updates to the list, all CRPs that have been merged and abolished or have had a change of address.

b. Provide the address for the CRPs that have their allotment payments sent to a financial institution.

c. Require that all CRPs promptly notify them of changes of address and those changes be promptly sent to all Federal payroll offices.

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Concur/Nonconcur. Concur. DFAS will work with OPM in an effort to establish procedures which will accomplish the goals listed in this recommendation. The success of this effort, however, will depend largely upon the level of OPM's participation in this endeavor.

Estimated completion date: December 1995.

Recommendation B.1.: Recommend the DFAS Centers be required to develop procedures to include with each allotment payment to a CRP, or under separate cover, a statement that identifies the dollar value of the allotment payment, payment period covered, number of contributors, and branch of Service of contributor.

Concur/Nonconcur. Concur. DFAS will develop a standard report to accompany CFC allotment payments to CRPs, or send one under separate cover. We will discuss with OPM the feasibility of changing the report requirements to include information of more value to the charity. OPM currently requires that the report or statement identify the dollar value of the allotment payment, period covered by the payment, number of contributors, and branch of service of contributors. DFAS Denver provides this information on the face of each allotment check. DFAS Kansas City sends a statement with each check. DFAS Indianapolis and Cleveland are not currently providing this information.

Estimated completion: December 1995.

Recommendation B.2.: Request that OPM require fund organizations to instruct campaign workers to annually identify and provide to the CRPs the Department of Defense payroll offices that will send allotment payments for military and DoD civilian personnel.

Concur/Nonconcur. Concur. DFAS will work with OPM in an effort to comply with the recommended corrective action.

Estimated Completion Date: December 1995.

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